

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2009 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 17 August 2009. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in October-December 2009; although the characteristics of the index-linked gilt for sale by syndication in September 2009 were also discussed.

14 gilt auctions are scheduled in October-December 2009: 11 of conventional gilts and 3 of index-linked gilts. The DMO has suggested that conventional auctions in the period be split by maturity as follows: 4 each of short- and medium-dated, and 3 of long-dated gilts. In discussion, the following main points emerged:

GEMMs

Syndication: A range of views was expressed on the maturity of the index-linked syndication in September; a large majority favoured a long-dated issue but there were a small number of calls for a new gilt in the 10-15 year part of the curve. Within the long sector most recommendations were for a 2042 or longer maturity with years of 2047, 2049, 2050, 2052 and 2055 all mentioned, (although there was also a call for a new issue in the 20-25 year part of the curve).

A wide range of views was also expressed for the gilt(s) to be issued by syndication in Q3, with some GEMMs suggesting only one syndication in the quarter, that of a conventional gilt. There was widespread support amongst attendees for issuance of a new 50- year conventional by syndication in Q3, with views divided between October and November as the preferred month of operation. Shorter maturities in the ultra long part of the curve were also mentioned. For any index-linked syndication in Q3, again preference was expressed for long-dated supply, with a similar range of maturities mentioned as for the September operation.

Conventional auctions: GEMMs were supportive of the proposed sequencing of maturities proposed in the agendas. Within the short sector, there was unanimous support for a re-opening of 5% 2014, strong support for 4½% 2013 and some calls for shorter-dated gilts (3¼% 2011, 5¼% 2012). Strong support was also expressed for the launch of a new 2015 maturity and for this to be on a new coupon cycle, with most recommending that it be auctioned twice in Q3. Within the medium sector, most attendees recommended two re-openings of 3¼% 2019. 4% 2022 was also widely supported as a candidate for at least one further re-opening, with 4¾% 2020 the next most widely endorsed medium gilt. Re-openings of 4½% 2034 and 4¼% 2039 were widely supported within the long-sector, with a range of other maturities from 6% 2028 to 4¼% 2049 suggested as candidates for re-opening in Q3.

Index-linked auctions: A wide range of views were expressed with the focus on re-openings of long-dated gilts with the 2042 and 2047 maturities most often mentioned. Other maturities receiving significant support for re-openings were the 2032 and 2037 maturities, followed by the 2022, 2027 and 2055 maturities. Some calls were received for the re-opening of the 2017 maturity and the launch of a new 20-year gilt.

Investors

Syndication: there was a general preference for a long-dated maturity for the September index-linked offer (the week commencing 21 September being the preferred week for the operation). A range of views on the specific maturity was expressed, from re-opening the 2042, 2047 or 2055 maturities to the launch of a new maturity to fill in gaps on the curve, with 2034, 2039, 2050, and 2052 all mentioned.

Essentially the same range of maturities was proposed for any index-linked syndication in Q3. Where specific views were expressed, a new 50-year gilt was the most widely mentioned candidate for a conventional syndication. Investors had no strong views on the sequencing of conventional and index-linked syndications in October and/or November 2009.

Conventional auctions: Investors were generally supportive of the sequencing of conventional maturities proposed in the agendas. Within short-dated maturities support was expressed in particular for a re-opening of 5% 2014 and the launch of a new 2015 gilt with a January/July new coupon series. The continued build up of 3¼% 2019 and 4% 2022 was seen as generally sensible for the medium maturities. Within longs, there were calls for a number of gilts to be re-opened including the 2027, 2032, 2036 and a new 20-year maturity.

Index-linked auctions: General support for issuance continuing to be directed at the long-end was expressed, although there were some calls for a 10- year linker. Maturities recommended for re-opening included the 2022, 2032 2042, 2047 gilts and a re-opening of a 50-year gilt if launched by syndication.

The details of gilt issuance in October-December and further details of the syndicated offer in September will be announced by the DMO at 3.30pm on Friday 28 August.

The next consultation meetings to discuss gilt issuance in January-March 2010 will be held at the DMO on Monday 23 November 2009 (subject to the Chancellor's decision on the date of PBR 2009).